

## Message Text

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11

ACTION AF-07

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-06 ISO-00 FEA-01

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01

TRSE-00 FRB-01 PA-01 PRS-01 USIA-06 /113 W

----- 036467

R 111521Z DEC 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 7170

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

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E.O.: 11652: N/A

TAGS: ENRG, NI

SUBJ: PETROLEUM: NIGERIAN CUTBACKS BEGIN TO ADD UP

SUMMARY: NIGERIA HAS AT LAST JOINED THE RANKS OF OTHER OPEC COUNTRIES WHOSE CRUDE OIL PRODUCTION HAS BEEN RUNNING SIGNIFICANTLY BELOW PRODUCTIVE CAPACITY. EMBASSY ESTIMATES THAT NIGERIAN PRODUCTION IS NOW ABOUT 87 PERCENT OF LIMITED OFFICIAL USE

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CAPACITY, AND FMG HAS INDICATED THAT FURTHER CUTBACKS MAY BE

IN OFFING. END SUMMARY.

1. ALTHOUGH NIGERIAN CRUDE OIL PRODUCTION OF 2,325,000 BARRELS PER DAY AS RECENTLY AS OCTOBER WAS WITHIN ONE PERCENT OF ALL-TIME MONTHLY RECORD (LAGOS 10850), PRODUCTIVE CAPACITY HAS CONTINUED TO GROW, AND OCTOBER PRODUCTION WAS ALREADY ABOUT 100,000 B/D LESS THAN COUNTRY COULD HAVE PRODUCED. ONE COMPANY (GULF) AND THE GOVERNMENT MADE NEW CUTBACKS IN NOVEMBER, AND CURRENT PRODUCTION IS ESTIMATED BY EMBASSY TO BE ABOUT 2,130,000 B/D WHICH IS 87 PERCENT OF ESTIMATED CAPACITY.

2. PRODUCING COMPANIES MET RECENTLY TO DISCUSS GOVERNMENT-ORDERED CUTBACKS. COLUMNS 2 AND 6 BELOW REPORT CONFIDENTIAL INFORMATION THEY EXCHANGED (ALL FIGURES IN BARRELS OF OIL PER DAY):

	(1)	(2)	(3)	(4)	(5)	(6)	
	PRODUCTIVE	PRODUCTION	CUTBACK	CUTBACK	CURRENT	SUBJECT	
	CAPACITY	LOST BY	BY COMP	BY GOVT	PRODUCTION	TO NEW	
	(EMB EST)	PRORATION	REQUEST	ORDER	(EMB EST)	REVIEW	
SHELL- BP	1,550,000	150,000-A	0	0	1,400,000	N/A	
GULF	400,000	5,000-B	100,000	60,000	235,000	N/A	
MOBIL	258,000	8,000	0	0	250,000	40,000	
AGIP/PHILLIPS	165,000	0	0	0	165,000	15,000	
ELF	80,000	0	0	0	80,000	20,000	
TEXACO/CHEVRON	7,000	0	0	7,000	0	0	

ALL COMPANIES 2,460,000 163,000 100,000 67,000 2,130,000 300,000

A - COMPANY ACTUALLY STATED 140-150,000 B/D

B - COMPANY ACTUALLY STATED 5-6,000 B/D

N/A - NOT AVAILABLE

3. PRODUCTION LOST BY PRORATION (COLUMN 2) RESULTS FROM NEW SYSTEM ESTABLISHED BY GOVERNMENT IN MID-JULY FOR DETERMINING ALLOWABLE RATES OF PRODUCTION FROM NEWLY COMPLETED WELLS (LAGOS 06994, 07592). COMPANIES CONCERNED OVER FACT THAT SOME RECENT COMPLETIONS BY SHELL-BP HAVE RESULTED IN GOVERNMENT SETTING LOWER ALLOWABLE FOR RESERVOIR AS WHOLE THAN WAS BEING PRODUCED BEFORE NEW WELL DRILLE.

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4. ACTUAL CUTBACKS (COLUMNS 3 AND 4) REFLECT GULF OIL(S) DECISION IN NOVEMBER TO REDUCE RATE OF PRODUCTION TO 300,000 B/D (LAGOS 10778) AND SUBSEQUENT GOVERNMENT ORDER TO PRODUCE AT 235,000 B/D (LAGOS 10941). TEXACO/CHEVRON WAS TOTALLY SHUT IN WHEN GOVERNMENT ACQUIRED 55 PERCENT PARTICIPATION IN ALL OTHER PRODUCING COMPANIES (LAGOS 03965; 04993).

5. ON NOVEMBER 27, GOVERNMENT SENT COMPANIES LIST OF WELLS WITH HIGH GAS/OIL AND BASIC SEDIMENT AND WATER/OIL RATIOS AND ORDERED THEM TO SHOW CAUSE BY DECEMBER 11 WHY THESE WELLS SHOULD NOT BE SHUT IN. (COLUMN 6 GIVES COMPANY ESTIMATES OF AFFECTED PRODUCTION). SHELL-BP DID NOT RECEIVE SUCH A LIST BUT HAS BEEN INFORMED OFFICIALLY THIS ONLY BECAUSE GOVERNMENT STILL ADDING WELLS TO LIST AND IT WILL BE ISSUED MOMENTARILY. GULF DID NOT CONFIRM AT MEETING WHETHER OR NOT IT RECEIVED SUCH A LIST. COMPANIES ARE COMPLAINING THAT GAS/OIL AND BS&W/OIL RATIOS OF THESE WELLS HAVE BEEN ACCEPTABLE TO GOVERNMENT FOR YEARS. RATIOS OF SOME LISTED WELLS HAVE EVEN BEEN IMPROVING.

6. COMMENT. NIGERIAN GOVERNMENT IS NOW CLEARLY LOOKING FOR EXCUSES TO RESTRICT PRODUCTION IN LINE WITH OPEC POLICY. HOW MUCH FURTHER CUTBACKS WEILL GO IS ANYBODY'S GUESS, BUT, IF ALL WELLS NOW BEING REVIEWED BY GOVERNMENT ARE IN FACT SHUT-IN, PRODUCTION COULD DECLINE BY AS MUCH AS ANOTHER 300,000 B/D, IN WHICH CASE RATE OF PRODUCTION WOULD BE BETWEEN 1,800,000 AND 1,900,000 B/D OR ABOUT 75 PERCENT OF CAPACITY.

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## Message Attributes

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